

Chrysalis Investments Limited As at 30 September 2024

Investment Opportunity

Aims to provide access to returns available from investing in later stage private companies with long-term growth potential, an investment class that has traditionally been difficult to access for individual investors.

Key Facts (As at 30 September 2024)

Shares in Issue:	594,892,952
Share Price:	93.3p
NAV per share:	141.26p
Market Cap:	£555m
Total Net Assets:	£840m
Share Price Premium/(Discount):	(33.95%)
Listing:	Premium Segment Main Market LSE
Ticker:	CHRY (LON)
LEI:	213800F9SQ753JQHSW24
ISIN:	GG00BGJYPP46
Incorporation:	Guernsey

Investment Adviser



Nick Williamson
Managing Partner

Richard Watts
Managing Partner

Chrysalis Investment Partners LLP is the investment adviser to G10 Capital Limited. G10 Capital Limited is the AIFM to Chrysalis Investments Limited.

NAV and Share Price



Cumulative Performance (%)

	3 month	1 year	3 years	SI
Fund NAV	-2.74	4.91	-43.94	41.26
Fund Share Price	22.60	50.00	-65.06	-6.70

Discreet Performance (%)

	12 months to 30/09/2024	12 months to 30/09/2023	12 months to 30/09/2022	12 months to 30/09/2021	12 months to 30/09/2020
Fund NAV	4.91	-8.89	-41.34	56.53	42.07
Fund Share Price	50.00	0.81	-76.89	84.29	16.93

Past performance is not a guide to future performance. The Company NAV per share is calculated on a quarterly basis. The Share Price is available daily, source London Stock Exchange. Since inception (SI) is from 6 Nov 2018.



Utilising permanent capital to invest in crossover opportunities to help de-risk future IPOs. Chrysalis Investments has the scale, expertise and relevance to be a crossover investor.



To generate long-term capital growth through investing in a portfolio consisting primarily of equity or equity-related investments in unquoted companies.



Chrysalis Investment Partners LLP is the Investment Adviser to G10 Capital Limited. The team members experience across public and private markets has given the Investment Adviser the insight and expertise to help later-stage businesses deliver profitable growth and successful outcomes.

Chrysalis Investments Limited

As at 30 September 2024

Overview

The Company announces that as at 30 September 2024 the unaudited net asset value (“NAV”) per ordinary share was 141.26 pence.

The NAV calculation is based on the Company’s issued share capital as at 30 September 2024 of 594,892,952 ordinary shares of no-par value.

September’s NAV per share represents a 3.99 pence per share (2.7%) decrease since 30 June 2024. The decrease in the fair value of the portfolio accounted for approximately 1.59 pence per share, with foreign exchange generating an adverse movement of approximately 1.95 pence per share. Fees and expenses make up the balance.

Over the course of the Company’s financial year to September 2024, NAV has risen by 6.61 pence per share, a 4.9% increase. This has been driven by movement in the fair value of the portfolio of approximately 13.44 pence per share, offset by an adverse foreign exchange movement of 5.59 pence per share, with fees and expenses making up the balance.

Portfolio Activity

Chrysalis invested €15 million into wefox in the period as a continuation of the funding solution it had been discussing with both the company, and other shareholders; however, this was more than offset by the inflow of the \$57.4 million initial proceeds from the sale of Graphcore, resulting in the Company’s cash position improving by approximately £32 million overall.

At the end of the period, the Company announced that Visa had signed a definitive agreement to acquire Featurespace. Cash proceeds of approximately £89 million are expected, of which initial consideration is likely to be approximately £79 million. This deal awaits clearance of certain closing conditions, including any applicable regulatory approvals, which means that no cash proceeds have yet been received.

Portfolio Update

Starling

Starling’s valuation was broadly static over the period.

Following the appointment of Raman Bhatia as CEO, the company has been considering its medium-term strategy, a process into which the Investment Adviser has been feeding its views.

Post period end, the FCA fined Starling £29 million in relation to failings that occurred between December 2019 and November 2023, under the previous management, in onboarding certain high-risk customers and sanctions screening processes. The fine is paid in full and final settlement. Both a detailed re-screening of transactions, and an in-depth back book review of customer accounts in respect of the contraventions detailed in the Notice, has now been undertaken and extensive additional safeguards have been introduced to ensure the Bank complies with regulatory requirements. As at March 2024, the bank had “capital headroom” of £284 million.

Given the extensive growth opportunities that the company has access to, the Investment Adviser remains optimistic of the company’s future growth path and ability to create value.

Smart Pension

The carrying value of Smart was broadly unchanged in the period.

At an operating level, the business continues to perform well, showing strong revenue growth over the prior year and very significantly improved profitability, further to the major restructuring undertaken earlier in the year.

Following the acquisition of assets from the Options Master Trust, Smart expects Assets under Management (“AuM”) to total £6 billion, up from £5 billion it achieved earlier in the year post the acquisition of Evolve Pensions.

The Investment Adviser continues to see significant organic growth opportunities for Smart, which it believes can be supplemented by targeted M&A.

Chrysalis Investments Limited

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Portfolio Update (continued)

Klarna

The value of Klarna rose in the period, driven by increases in the valuations of listed peers.

Klarna released its first half results in the period. These demonstrated ongoing growth, with GMV (Gross Merchandise Volume) rising 16%, revenue rising 27% and gross profit rising 22%. In addition, further progress was made in terms of profitability, with adjusted operating income of approximately \$64 million, versus a loss of -\$43 million in the prior half year.

Towards the end of the period and post period end, the company made a number of announcements that the Investment Adviser believes could have commercial importance in the coming years. These include:

- The ability of customers using Apple Pay online and in app to access Klarna's payment offerings in the US and UK, which the Investment Adviser believes is likely to have the most commercial potency in the coming years;
- A deal with Elliott Advisors (UK) to sell nearly all Klarna's short-term, interest free receivables in the UK over a number of years. This deal is designed as part of a range of measures to optimise capital efficiency and could lead to over £30 billion of additional funding for Klarna over the life of the transaction;
- A tie-up with Adyen to offer Klarna payment options at point-of-sale terminals in stores across Europe, North America and Australia;
- An integration with Xero, to help SMEs accept payments from customers wanting a BNPL solution; and
- The launch of "Apple from Klarna", a storefront from which customers can purchase Apple products using Klarna's payment options.

Separately, Klarna announced that its network of merchants had reached 600,000, having added over 100,000 over the last year.

Featurespace

The valuation of Featurespace had been written up in prior quarters, reflecting the likely completion of the acquisition of the company by Visa, which was announced in the period. The valuation of Featurespace was further written up in the quarter to reflect the successful signing of this deal, albeit with a modest discount to reflect the fact the deal has not yet completed.

Following a year of significant growth in 2023, during which time Featurespace grew revenues approximately 47%, the company has continued to see robust growth over the year to date.

Brandtech

Brandtech has spent previous quarters focused on the integration of Jellyfish, which completed in July 2023 and represented the largest acquisition in the company's history. As part of its integration, a significant amount of work has been done to streamline the cost base, build the sales pipeline and reaccelerate organic growth, actions which have yielded an improvement in operating performance over the last few months.

Despite a tough backdrop, the rest of the group has continued to generate positive organic growth year to date and, in more recent months, momentum has improved. Pencil, Brandtech's generative AI marketing platform, was acquired in June 2023 and within weeks it was used to target global brands with the release of Pencil Pro, an AI-driven ad generation engine.

With the industry appearing to recover some poise after a difficult few quarters of trading, and with Brandtech having successfully bedded down Jellyfish, the Investment Adviser is optimistic that the outlook for growth and profitability is improving.

wefox

The Company's recent investments into wefox over the last two quarters took the form of convertible loan agreements ("CLAs"). The carrying value of wefox was reduced in the period, as these CLAs are currently being valued as debt, thus not attributing any potential valuation uplift that could result from their conversion into equity.

During the period, a new CEO - Joachim Mueller, who previously held a number of CEO roles at divisions within Allianz - was appointed and is assessing the merits of various strategic directions for the company. The Investment Adviser had not been expecting wefox to require further capital, following the investment made during the quarter; however, the outcome of the CEO's analysis will determine whether this assumption is still valid.

In terms of trading, the company is tracking in line with its reforecast plan for the year.

Chrysalis Investments Limited

As at 30 September 2024

Cash Update

As of 30 September, the Company had net cash of approximately £45 million and a position in Wise of approximately £2 million, to give a total liquidity position of approximately £47 million. The cash position improved substantially over the quarter, due to the sale of Graphcore to SoftBank in July 2024.

Post period end, the Company entered into a £70 million loan facility with Barclays, which was drawn down in full in October, and has resulted in a further improvement of the liquidity position. Also post period end, a £40 million share buy-back programme was launched; as of 25 October, approximately £8.5 million had been spent buying approximately 9.2 million shares into Treasury.

Outlook

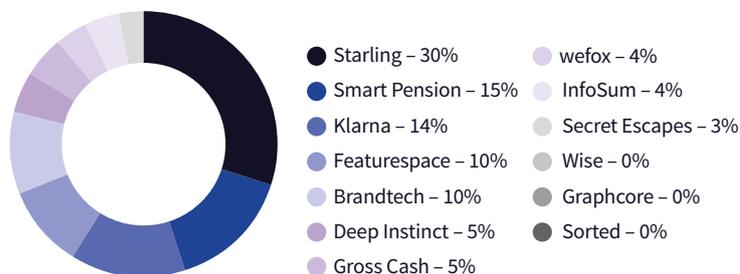
Despite the modest decline in the Company's NAV over the period, which was compounded by adverse foreign exchange movements, we were very encouraged by the substantial improvement to the Company's liquidity, which currently stands at approximately £109 million following the receipt of initial proceeds from the sale of Graphcore to SoftBank Group Corp ("SoftBank") and the draw down of a £70 million loan facility from Barclays Bank PLC ("Barclays"). At quarter end, a share buy-back commenced, in line with the Capital Allocation Policy ("CAP"), and as of 25 October, the Company had repurchased approximately 9.2 million shares at an aggregate cost of £8.5 million.

In terms of cash flow, we are optimistic that further liquidity will flow into the Company in the coming quarters. Initially, we would expect capital to be received from the sale of Featurespace to Visa, assuming the deal meets its required closing conditions. We are also expectant of a Klarna IPO in due course; the next potential window for this would appear to be 1H25. This would further boost the Company's liquidity and, if market rumours around IPO valuation prove to be correct, lead to further NAV per share accretion. Aggregating the initial proceeds expected from Featurespace (c£79 million) and the current carrying value of Klarna (c£121 million) generates a total of c£200 million of potential liquidity, equivalent to approximately 38% of the Company's market capitalisation (as of 24 October 2024) and is additive to the current liquidity position.

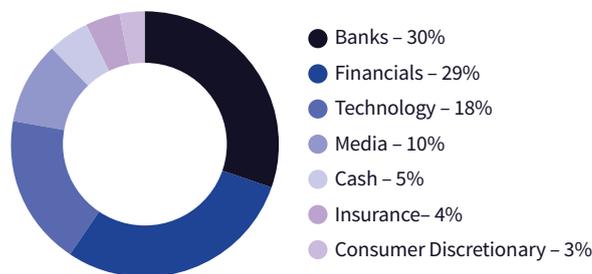
Given the possibility of significant liquidity that may be forthcoming for the Company, which should more than cover the second phase of the CAP (Capital Allocation Policy) - namely the return of up to £100 million to shareholders - the Investment Adviser has been discussing with the Board the merits of initiating a programme of new investment to tap into the exciting investment opportunities we are seeing in the current market. We believe a refreshing of the portfolio, which is likely to target late-stage private companies with long-term growth potential, is consistent with the ability of the Company to grow its NAV in the long-term.

Chrysalis Investments Limited As at 30 September 2024

Top Holdings



Sector Exposure



Holdings Details (As at 30 September 2024)

Name	Description
Starling Bank	Digital challenger bank that delivers financial services to retail and SMEs
Smart Pension	A provider of workplace and automatic enrolment pension schemes for SMEs
Klarna	A leading global payments company that provides direct payments, pay after delivery options and instalment plans for customers online
Featurespace	Featurespace is a world leader in financial crime risk management. The company utilises real time machine learning software risk scores events in 180 countries to reduce Fraud and AML
The Brandtech Group	A digital advertising and marketing services holding company that enables marketers to build their brands better, faster and cheaper by using technology
Deep Instinct	A US cybersecurity company
wefox	One of Europe's largest digital insurance platform with significant existing scale in Germany, Austria and Switzerland
InfoSum	Data collaboration platform
Secret Escapes	Travel company that helps hotels minimise unsold inventory
Wise	Platform payments business that aims to reduce fees associated with FX
Graphcore	Leading artificial intelligence processor business, which has developed the Intelligent Processing Unit and the related software toolchain
Sorted Group	A global Software as a Service (SaaS) company that has developed a Delivery Management Platform which allows retailers (both digital and physical) to effectively manage their delivery / returns

Chrysalis Investments Limited

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Company and Fund Information

Listing Date	06-Nov-18
AIFM	G10 Capital Limited
Administrator & Company Secretary	IQEQ Fund Services (Guernsey) Limited
Registrar	Computershare Investor Services (Guernsey) Limited
Legal Adviser	Travers Smith LLP
Auditor	KPMG Channel Islands Limited
Corporate Brokers	Liberum Capital Limited, Numis Securities Limited
Investment Adviser	Chrysalis Investment Partners LLP



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Directors

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Stephen Coe,
Simon Holden,
Anne Ewing,
Tim Cruttenden,
Margaret O'Connor

Important Information

On 1 April 2024 G10 Capital Limited was appointed as the Alternative Investment Fund Manager ("AIFM") to Chrysalis Investments Limited (the "Company"). Chrysalis Investment Partners LLP is the investment adviser to G10 Capital Limited. Chrysalis Investment Partners LLP is an appointed representative of G10 Capital Limited which is authorised and regulated by the Financial Conduct Authority (FRN 648953).

The contents of this document have been prepared and approved solely for the purposes of section 21 of the Financial Services and Markets Act 2000 (as amended) ("FSMA").

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Key Risks

Any return you receive depends on future market performance and is uncertain. The Company does not seek any protection from future market performance so you could lose some or all of your investment.

Before purchasing any securities or otherwise investing in the Company, persons viewing this document should ensure that they understand and accept fully the risks the Company is exposed to as disclosed in the Company's Annual Report, Key Information Document or Article 23 Disclosure Document, available at chrysalisinvestments.co.uk/investor-relations/

Past Performance

Past performance is not a guide to future performance. The value of investments may fall as well as rise and is not guaranteed. An investor may receive back less than the original amount invested. This Company may not be appropriate for investors who plan to withdraw their money within the short to medium term.

Target Market

The Company is suitable for investors seeking an investment that aims to deliver total returns over the longer term (at least five years), is compatible with the needs for retail clients, professional clients and eligible counterparties, and is eligible for all distribution channels. The Company may not be suitable for investors who are concerned about short-term volatility and performance, have low or no risk tolerance or are looking for capital protection, who are seeking a guaranteed or regular income, or a predictable return profile. The Company does not offer capital protection. Prospective investors are strongly advised to take their own legal, investment and tax advice from independent and suitably qualified advisers.